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Renewable
Northwest
Project

Date: December 5th, 2103
To: BPA Tech Forum
RE: BPA 2013 NOS Process Update Comments

General Comments:

RNP appreciates BPA's commitment to the Network Open Season (NOS) process as demonstrated through the work on the 2013 NOS to date. However, as our comments submitted during the NOS redesign process indicated (attached here), and as detailed below, we believe that the new NOS process discriminates against independent renewable energy developers and is generally unworkable for any utility procuring energy through a competitive bidding process.

Regional Economic Benefit Analysis Comments:

BPA's Regional Economic Benefit Analysis (REBA) provides important insight into the indirect and social benefits associated with new investments in transmission infrastructure. As the dominate transmission provider in the region and a key steward of the Northwest environment and economy, BPA has an obligation to consider all of the benefits associated with new infrastructure, even when those benefits are difficult to quantify and even when they are enjoyed primarily by the future ratepayers of the Northwest.

The Federal Energy Regulatory Commission's (FERC) Order 1000 clearly requires transmission providers to increase their modeling of the indirect and social benefits associated with new transmission investments. It does not make sense to RNP why BPA would consider discontinuing the REBA when the new Order 1000 planning process is just taking form. As such, RNP does support including the REBA as part of the Preliminary Business Evaluation.

In addition, the *Social Cost of Carbon for Regulatory Impact Analysis – Under Executive Order 1286*—requires, to the extent permissible by law, agencies to incorporate the social benefits of reducing carbon dioxide emissions into cost-benefit analysis of regulatory actions that have impacts on global emissions. It is our understanding that BPA has developed a price per megawatt-hour schedule to reflect the social cost of carbon. RNP requests that BPA consider and discuss with customers different approaches to incorporating these metrics into the REBA.

Discussion of Future Cluster Studies:

RNP appreciates BPA staff presenting the data regarding the number of eligible transmission requests (in MW) that were not able to participate in the cluster study—56%. According to this information, 42% of the transmission service requests (TSRs) elected to not participate in the NOS. It is impossible to tell what portion of this 42% elected to not participate because the project/need was not ripe—which we would take no issue with—versus what portion elected to not participate because the newly designed NOS terms and conditions are so onerous and disconnected from the reality of project development and procurement. To the extent it is the latter force that is at work here, we believe this is evidence that the NOS process needs to be improved for the 2014 cycle.

More acute to RNP's interests and members is the 24% of eligible TSRs that were not able to participate because of "deficient data exhibits." RNP and many other customers warned that the "ultimate sink" requirement would be unworkable for independent project developers (see "Ultimate Sink" Requirement Comments in the attached comments, dated 1-11-13). RNP would like to work with BPA to find a balanced solution to this issue.

BPA staff has asked for comments about the viability of implementing a six-month security requirement for participation in future Cluster Studies and using the 2013 Cluster Study process indefinitely. Consistent with our previous comments (1-11-13), RNP believes that the NOS process needs to be improved upon further, and as such, we do not support locking in any of the current NOS design into BPA's tariff on a long-term basis.

Looking forward:

RNP is interested in working with BPA on improvements to the 2014 NOS design. Specifically, RNP is interested in discussing with BPA and customers a NOS design approach that would work for both 1) developers, which often do not know their ultimate sink, and 2) off-takers, which often do not know their point of receipt.

While we sympathize with the difficulties of modeling the transmission system without sufficient knowledge of where the energy is contractually intended to sink, we also recognize that the market hubs and interties actually exchange, redispatch, and "sink" significant amounts of energy on a routine basis. We believe that a cluster study approach that allows the TSRs from developers and the TSRs from off-takers to be matched together and planned for on a collective basis is a viable solution that merits further discussion.

Thank you for the opportunity to comment,

/s/

Cameron Yourkowski
Senior Policy Manager

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Date: 1/11/13

To: BPA TechForum (via email at techforum@bpa.gov)

RE: NOS Reform and LGIP/SGIP Reform Comments

RNP appreciates the opportunity to comment on the Network Open Season (NOS) and the Large Generator Interconnection Procedure (LGIP) and Small Generator Interconnection Procedure (SGIP) reform efforts. BPA staff has devoted a lot of time and effort to both of these reforms and we hope that these comments will be useful in helping to move these processes forward.

Network Open Season Reform Comments:

Our primary interest with respect to the NOS is simply getting it started again; the region has significantly benefited from the previous NOS rounds and obviously still requires a functional and timely approach to subscribing existing ATC and financing new transmission facilities. From our perspective, given the direction these reforms seem to be taking and given the needs and capabilities of our members, we are concerned that the terms and conditions will be too restrictive for independent renewable energy developers to participate in the upfront financial backing of the construction phase of new transmission facilities.

At this time, however, we believe BPA should focus on restarting the regular NOS cycle and restacking the queue to meet transmission requests with existing ATC. Considering the timeline for returning to the regular NOS cycle (June 2013), we think it is important to move forward now. We support this direction based on our understanding that 1) the terms and conditions will get more detail and refinement leading up to NOS-2013, and 2) significant reforms and process redesign are likely to be necessary again in the near future. We recognize that these are difficult issues that require some trial and error to find a robust solution.

In that spirit, we offer the following comments:

1. We support staff's "Alternative 5." Moving forward with the next NOS under the tariff cluster study process is agreeable to us for NOS-2013, but we ask that BPA commit to reevaluating this approach in future years.
2. We very much appreciate the proposal to return to a 12-month NOS cycle.
3. We don't have any concerns with the 5-year minimum TSR duration, assuming that there is a functional non-NOS process for those customers seeking shorter, more temporary transmission service.

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“Ultimate Sink” Requirement Comments:

We are opposed to the proposal to require a customer to demonstrate an ultimate sink as a condition for participating in the NOS, if BPA’s definition of an “ultimate sink” excludes a market hub POD or an intertie POD. We view this requirement as potentially discriminatory and, depending on the ultimate details, we would expect this policy to be proactively challenged.

We understand the difficulties with accurately modeling the transmission system without sufficient knowledge of where the energy is contractually intended to sink. However, we have suggested that the market hub and intertie injection points exchange, redispatch, and “sink” significant amount of energy on a routine basis, and we have not heard any reason why this assumption is not sufficient for moving forward under the status quo policy permitting market hub and intertie PODs.

Our concerns with the ultimate sink requirement are two fold:

- 1) Open access transmission policy fundamentally gives all generators the right to pay for transmission service and participate in the regional market, with or without a long-term off-taker agreement. The fundamental economics of such a business model provide a natural check on how extensively it is used and we do not foresee large numbers of megawatts pursuing this option in the near future. However, in our view it remains a foundational component of open access policy that should be maintained.
- 2) For those projects seeking long-term off-taker agreements, there is a chicken-egg problem with BPA’s proposal: customers can’t get a contract with an ultimate sink without first having transmission rights; BPA won’t give customers transmission rights without an ultimate sink.

We are opposed to the proposed ultimate sink requirement. If BPA chooses to move forward with this approach, one way to potentially mitigate its negative impacts would be to apply the ultimate sink requirement at the very end of the NOS process, right before the final financial commitments are made and the decision to proceed with construction is finalized. Here, developers could demonstrate to potential off-takers an eminent solution to their project’s transmission needs and obtain an ultimate sink commitment.

BPA should only make such a requirement a condition for a lesser upfront financial commitment rather than an inflexible requirement. As such, customers would still be allowed to identify a market hub or intertie POD but would have to contribute an additional upfront deposit to mitigate BPA’s risk. This additional upfront deposit would also help ensure that the project is economically viable and will indeed have an ultimate sink on a regular basis. Such an approach possibly avoids the discriminatory aspects of BPA’s proposal and may be workable.

NOS Financial Requirement Comments:

Depending on where the details of the tiered financial commitment proposal end up, we are concerned that the construction phase financial requirements are too onerous for independent renewable energy developers to meet and that these requirements will hinder our members’ participation in the construction phase of any future NOS.

That said, we offer the following comments to help refine and improve the tiered financial commitment proposal:

1. There should be a path to a 0% construction phase financial commitment (“Option A”) for all types of customers. This option should be feasible for customers and transmission requests that can demonstrate little to no risk to BPA, especially for projects that have been vetted through a robust transmission planning process (discussed further below).
2. Creditworthiness is an appropriate metric.
3. Progress in the GI queue could be an appropriate metric, but BPA needs to be aware that customers can face significant difficulty aligning BPA’s NOS and LGIP timelines when/if the NOS process takes five years or longer and the LGIP only provides for 2-3 years of parking lot and suspension rights (as is currently under discussion in the LGIP reform discussions.) A customer needs to have an amount of flexibility (parking lot or suspension rights) that is equal to the time it takes BPA to complete a full NOS cycle and determine if the customer’s transmission service can be met.
4. TSR term length is an appropriate metric.
5. Demonstrating an executed PPA is not an appropriate metric, unless customers are allowed to sink to market hubs (see above) and this requirement is purely to mitigate any additional risk associated with those customer requests.
6. We support the securitization of all financial commitments.
7. We emphasize that while the details may be different for public power customers and IOUs, marketers, and IPPs, all customers should be held to comparable financial requirements.

Transmission Planning Comments:

In hindsight, the experience with the NOS process over the past five years highlights the importance of robust transmission planning and the view that a NOS is not a substitute for a robust transmission plan. Individual customers’ needs, their business plans, and their financial capability will always be in flux over the course of a 5-10 year transmission development process.

Accepting that reality, a robust transmission plan should identify upgrades and new infrastructure that provide net benefits to the region under a variety of reasonable future economic and policy scenarios. While we may not know ten years in advance which customers will ultimately subscribe a line, we can be confident that a transmission project that has gone through a robust transmission planning process and has been identified as “least-regrets” will have customers, whoever they may be. The NOS process should then be run on top of this robust transmission plan to refine the details of the transmission projects, subscribe the transmission as fully as possible, and confirm that “now” is the correct timing to move forward with constructing all or some of the projects.

We make these comments to highlight the potential for improving future NOS cycles and the transmission planning process in general. We are not suggesting that such a concept should be a prerequisite for moving forward with NOS 2013.

LGIP and SGIP Comments:

RNP appreciates the continued examination of the LGI and SGI Procedures. Given the ongoing reform of the NOS process, we think that BPA is devoting the right amount of attention to this effort and that staff is moving in the right direction and doing an excellent job cautiously advancing this effort forward. In that spirit, we offer the following comments and look forward to further discussion in the near future:

1. The principles that BPA has developed to help govern the redesign of the interconnection process are appropriate.
2. BPA is considering unifying the LGIP and the SGIP, clustering “electro-geographically related requests, and establishing a separate process for de minimis small-scale projects or stand-alone projects. We are generally supportive of this direction. We are interested in better understanding 1) if and how this would impact existing requests as they move through the transitional period, and 2) if the de minimis determination applies to “up-rates” of existing projects. BPA should establish some clear guidelines for its de minimis determination.
3. BPA is considering a Pre-Request Review process to screen out any unfeasible projects and to determine if a project is de minimis. As a part of this Pre-Request Review, BPA is considering a deposit or fee and possibly charging a higher deposit for projects that wish to continue through the process despite BPA’s determination that the project is infeasible, or BPA may just refuse the request outright. We are supportive of the Pre-Request Review but do not believe BPA should be able to refuse requests outright. Again, BPA should develop clear criteria for making these determinations.
4. BPA is considering a sliding deposit for the interconnection request submittal: a minimum deposit of \$5,000 for projects up to 1.9 MW; \$10,000 for projects ranging from 2 MW to 2.9 MW; \$20,000 for projects up to 3 MW, with an additional \$1,500/MW for projects up to 19 MW; and \$50,000 for all projects over 19 MW. The initial deposits would roll forward to cover study costs. We support this approach.
5. BPA is considering a site permit milestone requirement and is also considering not accepting a deposit in lieu of demonstration of site control. While we can generally support a site permit milestone, we reiterate our previous comments that 1) customers should have 24 months to obtain site control, and 2) flexibility for regulatory delay (including BPA transmission service delays) is extremely important. We also support the concept of exempting behind the meter integrations from this requirement.
6. BPA is considering regularly allocating requests into similarly situated clusters for study, which will be completed in 180 days. If a request is withdrawn after the ISS Cluster Study Report is delivered, deposits would be refunded less pro-rata costs incurred to date. We are generally supportive of moving in this direction but would appreciate BPA exploring options to complete the studies in 120-150 days.

7. In our previous comments, RNP strongly supported retaining the pro forma suspension provisions as an important flexibility necessary for developers to align their transmission service and their off-taker agreements with the interconnection process. RNP appreciates that BPA is considering providing up to three one-year parking lot options that would give customers some flexibility to wait in the queue while they align their other business components. We agree that the ultimate goal is to structure a policy that gives customers flexibility to align the various timelines without clogging up the process for other customers moving forward.
 - a. It is unclear to us at this time what BPA is considering with respect to the pro forma suspension provision. Will it be retained, modified, or removed in favor of a parking lot approach? We will need more detail on the parking lot policies in order to understand how meaningful of a tool they will be for developers.
 - b. One aspect of the parking lot concept that we are concerned about is the non-refundable deposit requirement. Requiring a 15% of the pro-rata costs of a shared interconnection in order to get into the parking lot is excessive, especially if it is non-refundable.
 - c. It is unclear to us at this point what exactly is being conceived of in regards to the "Parking lot #2A (to allow cross-fertilization with NOS)." However, we appreciate BPA being mindful of the customers need to align the interconnection and NOS processes. A customer needs to have an amount of flexibility (parking lot or suspension rights) that is equal to the time it takes BPA to complete a full NOS cycle and determine if the customer's transmission service can be met.
8. With respect to the Facilities Design and Engineering milestone, more detail is needed to understand which "some combinations" of the suggested metrics might be appropriate. At this point, we are more inclined toward the deposit-oriented metrics. In the context of the NOS reform discussions, we have opposed the use of PPAs and load/sink designations as discriminatory requirements that do not recognize the "chicken-egg" reality of developing independent power projects. It goes without saying that whichever combination of metrics is chosen it should treat all customers comparably.
9. With respect to the Interconnection Agreement itself, BPA is considering a "Unified Generator Interconnection Procedures Interconnection Agreement" (UGIP-IA).
 - a. BPA states that priority for limited interconnection capacity would be apportioned based on queue order within the cluster. We are unclear what is meant by "limited capacity" here and ask that BPA address this issue more thoroughly in the next workshop.
 - b. BPA is also considering a five-year latecomer provision requiring reimbursements sufficient to create a proportional distribution of costs. We are generally supportive of this requirement, but we would like to clarify that latecomers would still receive transmission credits for their reimbursement payments. Please confirm.

10. We appreciate that BPA is contemplating a transition period that will provide equity for requests already near the end of their study process. We look forward to discussing these details further.

Thank you for the opportunity to comment,

/s/

Cameron Yourkowski
Senior Policy Manager

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**Renewable
Northwest
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July 18, 2012

VIA EMAIL SUBMISSION

TO: Tech Forum

RE: BPA Network Open Season Reform Request For Comments

General Comments:

Renewable Northwest Project (RNP) appreciates BPA restarting the Network Open Season (NOS) policy discussions. The BPA NOS staff has done a good job fleshing out the issues in question and getting the process off to a collaborative start. It is imperative that BPA and the region have a workable process to serve customer transmission requests as soon as possible. From a planning perspective, the next Renewable Portfolio Standard (RPS) requirements are right around the corner.¹ We look forward to working with the agency to craft a functional open season process.

The NOS is a successful policy for reducing the risks and rate impacts associated with building new transmission lines, and has also succeeded in bringing online new renewable energy resources. The NOS process is not perfect, however, and can be improved upon, but its future success could also be greatly diminished if BPA overcorrects for past imperfections.

RNP encourages BPA to view the current shortcomings of the NOS as primarily a function of the massive changes in economic conditions and separate but related policies during the past five years in which the NOS has been designed and implemented. We do not believe that the current PTSA issues signal a fundamental problem with the NOS design itself. The fact that the NOS and three of the associated transmission projects survived this market turmoil with a minimal rate impact is a testament to the strength of this policy. The fact that some of the NOS projects are delayed demonstrates the flexibility BPA currently has to adapt its investment decisions to changing market conditions. This viewpoint suggests that small tweaks to the NOS terms and conditions are more appropriate than a wholesale NOS redesign.

¹ The next RPS threshold requirements are in 2015 and 2016 in Oregon and Washington, respectively; currently, we estimate that between 300 and 700 aMW of qualifying renewable energy (or RECs) will be required to meet the next set of targets.

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As BPA is aware, new transmission lines are a long-lead-time, capital intensive, long-term investment that are difficult to perfectly subscribe given the changing economic and policy conditions over this long time horizon.

That said, very few bulk transmission lines go underutilized in the long-term. BPA's NOS reform proposal focuses on how to mitigate the risk that the region's transmission infrastructure program temporarily exceeds the demand. However, less attention is given to mitigating the risk that the transmission expansion plan might not be sufficient to meet future demand for transmission. It may be that by shifting more risk to NOS participants, BPA and its power customers are taking on a greater share of the risk associated with an under-investment in transmission infrastructure. The NOS reform process should endeavor to quantify and mitigate not only the risks of temporary overinvestment in transmission, but the risks of underinvestment in transmission as well.

Ultimately, transmission investments and the success of the NOS in mitigating risk should be weighed against the cost of not building new transmission and limiting resource portfolio options and market access that would otherwise benefit ratepayers. In the end, transmission costs make up a relatively small portion of the delivered cost of energy. BPA should be comprehensive and realistic about the measures that will be used to judge the success of a NOS design and the merits of specific transmission investments.

The next NOS will likely have a much different purpose and level of interest than previous Network Open Seasons. The focus will likely be more on subscribing existing capacity than building significant new capacity. This fact should buy BPA some time to gain experience with certain limited changes to the NOS design and to focus efforts on the "front end" of the NOS (deposits, restack, cluster study, etc.) rather than the "back end" (plan of service, economic analysis, NEPA, construction, etc.).

We understand that BPA seeks to better protect itself and its existing transmission customers (many of which are renewable energy generators) against defaulting NOS transmission agreements. We recommend that BPA make limited, targeted changes to the NOS process and terms and conditions in order to address this risk. Making too many changes all at once will make it difficult to judge what is working and what is not.

If BPA wants to reduce its risk by reassessing market conditions prior to making permanent financial decisions, BPA should simply write that flexibility into its PTSAs and work with customers on how best to define the conditions under which transmission project delays are warranted. If those market conditions do exist, it is likely that many or all parties will find delay to be beneficial. A targeted approach aimed strategically at BPA's primary risks may be a more effective policy reform with less unintended consequences than the more complicated and wholesale reforms BPA is currently considering.

RNP believes that BPA should be asking what changes to the NOS process and terms and conditions are absolutely needed now and what are the issues that need to be addressed given the current market conditions. Solving last year's risks when we face different market conditions today will only create new problems, such as a NOS process that forecloses customer participation, given depressed and/or highly competitive markets.

At this point, based on BPA's proposed options and all the moving parts, we have significant worry that renewable energy developers will have a difficult time participating in future Network Open Seasons. One of the fundamental issues with BPA's draft

proposal is that a five-year waiting period—before customers are given any contractual rights and before a decision to begin construction is even made—is unworkable for project developers.

Specific Comments:

Related Terms and Conditions:

BPA's current NOS reform proposal creates many moving parts all at once, making it hard for customers to weigh the different tradeoffs simultaneously. There are also additional key policies that will have a significant influence on a renewable energy developer's ability to participate in the NOS (redirect rights, deferral rights, minimum term length, rollover rights, Conditional Firm service). It is unclear what the proposed status is of many of these terms and conditions and it is also unclear what forum some of them will be decided in. We believe it would be beneficial to the process if BPA clarifies these issues as a part of the NOS process.

BPA should also be mindful of the interaction between the proposed changes in the NOS process and the proposed changes in the Large Generator Interconnection Agreement (LGIA) process. Shortening the timeline in the LGIA process while lengthening the NOS process timeline puts customers in a difficult position with respect to lining up both of those services.

Many of the key questions here are linked together. For example, if you increase the deposit requirements, it is important to shorten the time period BPA holds customers' money in limbo. If you increase the time it takes to run a NOS, it is important to maintain the pro forma deferral rights. Customers need to see a total cost/risk/timeline proposal in order to decide if the package is workable. Deferral rights are a critical flexibility that allows a customer to align the timing of their transmission needs with market conditions.

Timeline:

BPA is proposing a significant increase in the amount of time between the point at which a customer gives BPA a deposit to participate in the NOS process and the point at which BPA provides the customer even a rough estimate of the transmission rate required to provide the requested transmission service. BPA's current proposal is for two years, with possible additional delays due to dropouts and restudies.

In addition to lengthening the study phase of the NOS process, BPA is also proposing to move the PTSA execution point to the end of the NOS process, meaning customers will not have any binding commitments from BPA until after the environmental work is completed (another three years). In total, it could be five years (or even more) from the time a customer makes a significant deposit to participate in a NOS until the time that BPA provides a firm cost estimate for providing the service.

This longer and more uncertain timeline, without the appropriate performance assurances from BPA, is not workable for renewable energy developers. Such a timeline makes it more difficult for developers to match up their LGIA timeline and their marketing and development timelines. BPA's NOS process should endeavor to provide more certainty to developers, not less.

The longer timeline also exposes BPA to more risk from changing market and policy conditions. The more time that goes by between a customer submitting and committing to a Transmission Service Request (TSR), the less fresh it becomes and the more it is subject to changing market conditions. BPA is proposing significant increases in performance assurance and deposits to mitigate BPA's risk associated with this longer timeline, but this approach merely transfers the risk to customers and makes it more difficult for renewable generators to participate.

The additional off-ramps (referred to as "rip cords") that BPA is proposing are good for customer optionality, but BPA needs to be careful of getting into an endless restudy loop if customers drop out of the NOS due to higher-than-expected costs of service. BPA should be more specific upfront about the allowable justifications for dropping out of the NOS process.

RNP is also concerned that the proposal to move the PTSA execution date to the end of the process will complicate transmission planning and queue management. For example, if BPA were to decide not to construct a NOS transmission project for whatever reason, but at least one customer had met all the terms and conditions of the NOS process, that customer would presumably retain its queue position (if it didn't this, would likely deter participation in the NOS on the front end). This means that a TSR that moves through the NOS process will retain its queue position for five years without any firm commitments on the customer side to take that service or on the BPA side to construct the facilities to provide that service. If this is the case, BPA will have a difficult time knowing the status of its queue over the entire five-year period and will have a difficult time accurately restacking the queue every two years to deliver Available Transmission Capacity (ATC). BPA would also not be able to start meaningful transmission planning on any new upgrades that are dependent upon an earlier NOS upgrade until those earlier PTSAs are signed and BPA makes a firm commitment to build. Effectively, this could result in transmission planning that begins only once every five years.

We recommend that BPA provide a "PTSA like" contractual agreement at the end of the study phase that commits BPA and the customer to clearly defined next steps, timelines, and terms and conditions for off-ramps. Such an interim agreement will decrease risk on both sides. It could work to limit BPA's need to conduct restudies and give BPA more certainty that customers will remain through the three-year siting process. It also would give customers a contractual asset with clear milestones to plan project development around.

One of the fundamental values of the NOS is to release encumbered ATC in the queue and get ATC to those customers that are most ready to use it. As BPA considers lengthening the timeline of the NOS process and providing customers more opportunities for off-ramps, the probability of customers leaving the NOS cluster and changing the queue priority will increase. First and foremost, we encourage BPA to consider all possible ways to minimize the length of the NOS process. We also encourage BPA to restack the queue and reassess the number of offers that can be made with existing ATC as frequently as is practicable. Ideally, customers would not have to wait in the queue for up to two years in advance of finding out whether their request can be met with existing ATC.

Financial Commitment and Creditworthiness—Study Deposit:

BPA is proposing three options for how customers can make their financial commitment for the study phase.² At this point, we prefer Option B. BPA is also considering a proposal to require or provide different terms and conditions to those customers that have a power purchase agreement (PPA). RNP believes that this proposal is patently discriminatory and, as such, cannot support it.

It is our understanding that BPA is proposing one-year's worth of transmission service as the initial "deposit" or "letter of credit" required to participate in the NOS. This deposit has two potential purposes: 1) it covers the pro rata share of BPA's study and environmental costs, and 2) it seeks to ensure that only serious and timely requests move forward into the cluster study. Some portion of this deposit may be refunded (minus restudy fees) if a customer drops out of the NOS, and some portion may be rolled forward as part of the financial commitment for a new upgrade.

RNP proposes that BPA continue to pay for the study costs associated with those TSRs that result in new transmission service and new revenues. It would be inappropriate for NOS customers to pay for the planning work associated with reliability and NT load growth needs. Disentangling those needs and parsing out those study costs may be difficult. If BPA asks NOS customers to pay for their study costs upfront, then there will need to be some assurance that all customers are paying for their study costs consistently.

If BPA decides to require NOS customers to pay for their study costs, it will be important for BPA to clarify exactly what the pro rata costs are for the study and environmental phase. The pro rata cost of actually conducting these studies is likely much less than the full deposit (one year's worth of transmission service). We recognize that there are variable factors that determine the true pro-rata study costs (such as the number of customers and the plan of service), but BPA should make an explicit commitment to provide these studies at cost and find a way to put a reasonable cap on the total study costs customers may be exposed to.

BPA is also proposing to require customers to pay for any restudy costs, should a customer decide to not move forward with the NOS process after the initial cluster study has been completed. This proposal is not consistent with and may not be superior to the pro forma OATT, depending on the balance of the other NOS terms and conditions in question.

Financial Commitment and Creditworthiness—Construction Phase:

BPA is considering several different options for a new financial commitment just prior to the construction phase of a NOS project.³ Asking customers to pay 25% of the pro rata construction costs upfront, coupled with the proposed increase in study costs (assuming

² **Option A:** Pro Forma (customers pay for studies). **Option B:** Customers securitize pro rata share of studies (BPA funds some/all steps of the study phase; if customer proceeds to construction phase, all security rolls forward towards its construction phase financial requirement; if customer ejects from NOS prior to construction phase, BPA returns deposit amount remaining after deducting pro rata costs incurred until ejection point plus restudy costs). **Option C:** Customer provides security based on financial evaluation

³ **Option A:** Pro Forma uniform level of security up to 100%. **Option B:** Uniform advance funding requirement. **Option C:** Uniform advance funding requirement with additional securitization. **Option D:** Tiered security/funding requirement correlated to customer financial assessment and commitment to service.

one-year's worth of service), represents a doubling of the cost of participating in a NOS. This is a significant and abrupt change that will be unworkable for many renewable energy developers.

Assuming that a customer meets creditworthiness standards, RNP believes that the signing of a long-term transmission service agreement is the assurance that a transmission provider will have sufficient revenues to recover the cost of a transmission upgrade. RNP encourages BPA to focus on establishing a more robust creditworthiness determination to mitigate against default risk, as opposed to passing on significant portions of capital costs to project developers that face higher costs of capital than BPA.

If BPA does require upfront funding, we have the following preferences:

1. With respect to the options for providing upfront payment, at this time, we prefer Option C and are open to reasonable variations of Option D.
2. With respect to the amount of upfront payment that customers should provide, we believe customers should be required to provide no more than 25% of the pro rata construction costs and only if customers would receive transmission credits back until their upfront payment is exhausted. Otherwise, customers would be part owners of the transmission upgrade.
3. RNP also asks that BPA clarify that their proposal is to have customers pay their pro-rata share of the *subscribed* capacity—not the *total* capacity.
4. RNP suggests that it would be helpful to have a known upfront cap on a customer's total possible financial requirements, per MW, prior to a customer electing to participate in the NOS or not. BPA should not ask customers to sign up for a five-year process with open-ended financial commitments.
5. BPA is also proposing to tier the options for the construction phase financial requirement based on a TSR's affiliation with a PPA or other load attestation. This proposal is discriminatory and we cannot support it.

Non-NOS Track:

RNP appreciates the direction BPA is going with developing the non-NOS track and endeavoring to keep a window open for submitting TSRs and moving forward with individual studies at all times. We recognize and support BPA's careful attention to ensuring that these timelines and study results do not overlap in a manner that would produce conflicting studies or queue priority conflicts.

We believe that customers should be given flexibility to choose which track, NOS or non-NOS, they wish to participate in up to the time that the NOS submittal window opens. Customers should not have to make this election at the time they submit their request.

It is possible that a situation would occur where it would make sense for a non-NOS plan of service and NOS plan of service to be studied together and joined into the same project. BPA should consider if there are efficiencies to be gained by allowing non-NOS requests to be pooled back together with a NOS cluster and what policies would need to be in place in order to ensure that all customers have made commensurate levels of upfront commitments regardless of which track they were originally on.

NT Planning:

It is still unclear to RNP how exactly the planning for NT load growth and reliability will overlap with the planning for NOS subscriptions. Our understanding is that reliability benefits are accounted for in the preliminary economic analysis but it is unclear how much detail is provided here and if this fully accounts for the benefits of serving future NT load growth. More detail on these questions would be helpful.

Thank you for the opportunity to comment,

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